

Chapter 3 • Environmental Context

APPRAISAL OF EXTERNAL ENVIRONMENT

Less Government and Slow Economy

In the past few years, Washington citizens have chosen to reduce the role of government in a variety of ways. The majority of people want lower taxes and less government intrusion in their lives.

The September 11th terrorist attacks and the slow economic growth continue to impact employment in the United States. While Washington State appears to be coming out of a long recession, the slow recovery and continued budget constraints will continue to threaten the viability of social service programs that help many needy families, vulnerable children and adults.

Rises in Health Care Costs

The United States spent nearly \$1.7 trillion on health care last year, and federal trustees now predict that Medicare will be financially insolvent by 2019 given current trends in revenues and expenditures.

Rapid growth in Medicaid enrollment has been matched in recent years by substantial rises in Medicaid costs. Washington Medicaid will be spending \$12 billion in the 2003-05 biennium, capturing over 30 percent of the state's biennial appropriations, and over 75 percent of the biennial appropriation to DSHS. Medicaid provides funding for acute and long term care services to over 900,000, or 16 percent, of Washingtonians. Within DSHS, the Medicaid program is managed by six administrations.

While the federal government covers about half of these total costs, the state's share has been rising as much as a half billion dollars a biennium, with the most dramatic increases felt in the state's pharmaceutical costs. In December 2003, strong public support and a broad political consensus led the U. S. Congress to enact a compromise Medicare prescription drug benefit. However, there are pronounced partisan differences, technical complexities and benefit gaps associated with the new program, which goes into effect in 2006. It is anticipated that spending on health care will continue to outpace growth in the Gross Domestic Product through 2013.

TANF Reauthorization

Changes in federal requirements for Temporary Assistance for Needy Families (TANF) and its block grant funding levels now being considered by Congress could have significant policy and budget ramifications for states. This will largely determine the extent to which Washington State can continue its success in helping families move from welfare to economic self-sufficiency.

Federal funding for child care is a major issue in the reauthorization debate. It is important that child care is financed at a level that allows the state to maintain its current subsidy program and meet the higher costs associated with increased work requirements that are likely.

TRENDS IN DEMOGRAPHIC AND CUSTOMER CHARACTERISTICS

Growth in Population and Demand

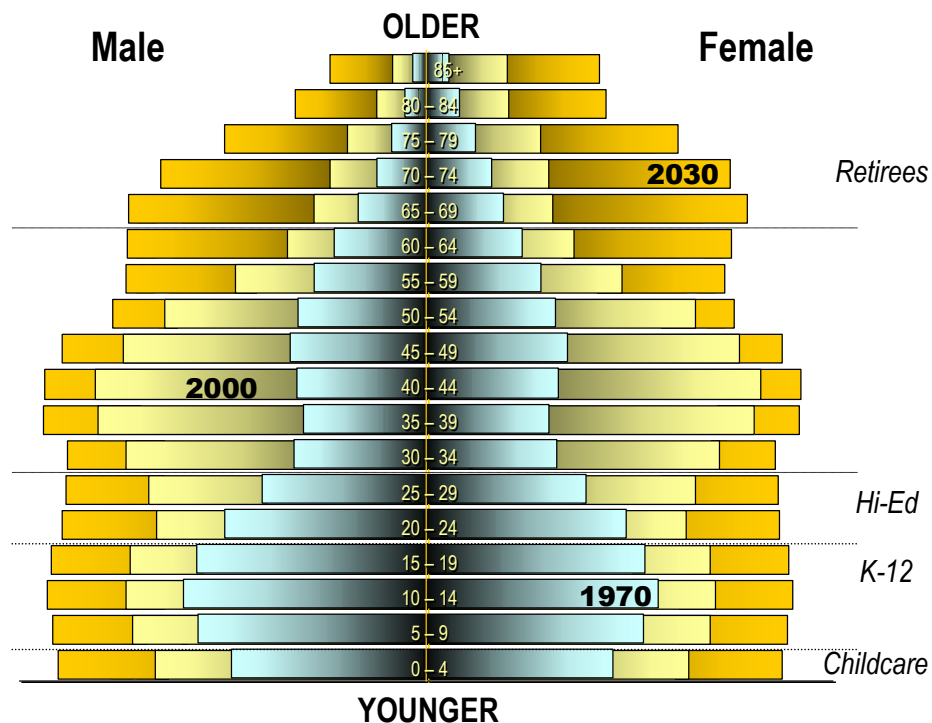
The November 2003 forecast of the state population predicts general population growth rates of 1.2 percent for Fiscal Year 2006 and 1.3 percent for Fiscal Year 2007. Changes in the number of persons in selected age groups and in the structure of families will place new demands on the state's economy and government.

Individuals are living longer, the population is aging, and advancements are being made in medical technology which results in successful supports to newborn children with disorders that may have previously proven fatal. Subsequently, the incidence of conditions such as autism and dementia has increased over time.

All these factors have resulted in a growing number of persons living with chronic illness, cognitive impairment, and developmental and functional disabilities who require assistance. The primary resource for long-term care continues to be family and friends.

However, numerous changes in family circumstances and work life have reduced the capacity of family caregivers to meet the needs of their loved ones. This has caused an increasing demand for improvement and expansion of the state's long-term care systems to support and complement the work of family caregivers.

Washington State Demographic Trend



Source: Office of Financial Management, Forecasting Division, September 2002.

Families and Children in Need

According to the *Kids Count: 2002 State of Washington's Children Report*, 22 percent of children in Washington State live in a single-parent home, up from 20 percent in 1990. Approximately 13 percent of Washington's 1.5 million children live in poverty, and the children of single-parent households are much more likely to be poor than are children in two-parent households.

States are seeing a growing proportion of their TANF caseloads represented by "child-only" cases. These cases, in which the only recipients of welfare benefits are children, now make up about one-third of the welfare caseload nationwide. This growth can be attributed in part to the overall decline in the TANF caseload as more families leave the program. But the number of child-only TANF cases is also increasing. In Washington State, child-only cases rose from 18.5 percent of the caseload (15,540 cases) in SFY 1998 to about 36 percent of the caseload (almost 19,000 cases) in SFY 2004.

Based on the 2000 Census Bureau data, approximately 32,000 or 2 percent of children in Washington State live in households headed by their grandparents or other relatives. These are children whose parents cannot or will not care for them due to illness, substance abuse, economic hardship, incarceration, divorce, domestic violence, or abuse and neglect. In Fiscal Year 2003, over 18,000 children were in the state's care for out-of-home placements. For these children, academic achievement will continue to be met through partnerships with local school systems, as well as through strategies to support children in age appropriate educational, developmental and mentoring programs.

Immigrant Population

The demographics of the refugee and immigrant populations in Washington State are changing. According to the 2000 Census, persons of Hispanic descent were the largest ethnic minority group in Washington State comprising 7.5 percent of the population, up from 4.2 percent in the 1990 Census. In 2001, 17 percent of DSHS clients were of Hispanic origin, increased from 7.5 percent in 1990.

Among refugees, the nations of origin have changed over the past decade with increasing numbers arriving from former Soviet republics. In Fiscal Year 2003, over 47 percent of the people receiving Refugee Cash Assistance came from Eastern Europe. More than 11 percent of the adults receiving TANF benefits are legal immigrants.

It is increasingly critical that the services we provide are appropriate to meet the needs of people from different backgrounds. Our cultural competency will continue to be fostered by continuous workforce development and the recruitment and retention of a diverse workforce.

ACTIVITIES LINK TO MAJOR PARTNERS

Partnerships for Service Integration: Working Together

DSHS has established linkages to individuals and groups who are knowledgeable of and have vital roles in the services we provide. These linkages with other governmental entities, advocate groups, providers, tribes, parents, and families are critical as we plan, manage and deliver our services. In some cases, partners may have interests that

conflict with each other or with the restrictions or guidelines that DSHS operates under. A notable restriction that often provides tension between DSHS and our partners is budget limitations. However, DSHS is committed to working with partners to resolve differences, overcome barriers, and develop programs that meet individuals' needs. Below are examples of DSHS activities in collaboration and coordination with our major partners:

- Families and Communities Together (FACT) projects – seek to develop a comprehensive community network and seamless system of supports and resources for needy families and children.
- Washington State's Families for Kids Partnership – brings together a statewide coalition focused on permanency of children's placements.
- Washington Medicaid Integration Project - coordinates health and long-term care services for high-risk Medicaid clients jointly served by DSHS programs and other partners.
- Service Delivery to Youth – partners with Regional Support Networks and other DSHS programs to address youth's issues such as mental health, chemical dependency, ongoing medication management, etc.
- Ticket to Work – increases the opportunities for individuals with disabilities to go to work by providing training and resources, using partnerships with public and private entities.
- Safe Babies, Safe Moms – uses a statewide consortium to provide services to substance-abusing pregnant and parenting women and children ages birth-to-three.

Partnerships with Health Care Providers

DSHS administrations that manage Washington State Medicaid Program have been working hard to improve communications with its provider partners but are confronted with three immutable barriers:

- A tight and squeezing chokehold in the national and state economy: This continues to influence policymakers in their efforts to meet growing health-care expenditures in many agencies. Ultimately the state is facing a choice between cutting eligibility, cutting benefits, or cutting both. This is a challenge shared by the entire health care industry.
- Low reimbursement levels: This is an increasingly uncomfortable source of irritation for providers since every segment of the health-care industry is looking to squeeze out savings by lowering costs. Nevertheless, providers have acknowledged better communications with DSHS and are kept better abreast of its plans than before.
- Restrictions on how we can pay for client services: In the past, DSHS was able to use unspent Medicaid funds from the Regional Support Networks capitated rates to serve non-Medicaid clients or to deliver services not covered by Medicaid. As of April 2004, the federal Centers for Medicare and Medicaid Services will no longer approve this arrangement. That means we will need to review the service needs of non-Medicaid clients across the state to make the case for using state funds to cover those needs.

In addition, through efforts to streamline and simplify the administrative burden on our major partners and stakeholders, DSHS is strengthening its partnership with other groups such as the Washington Health Care Forum.

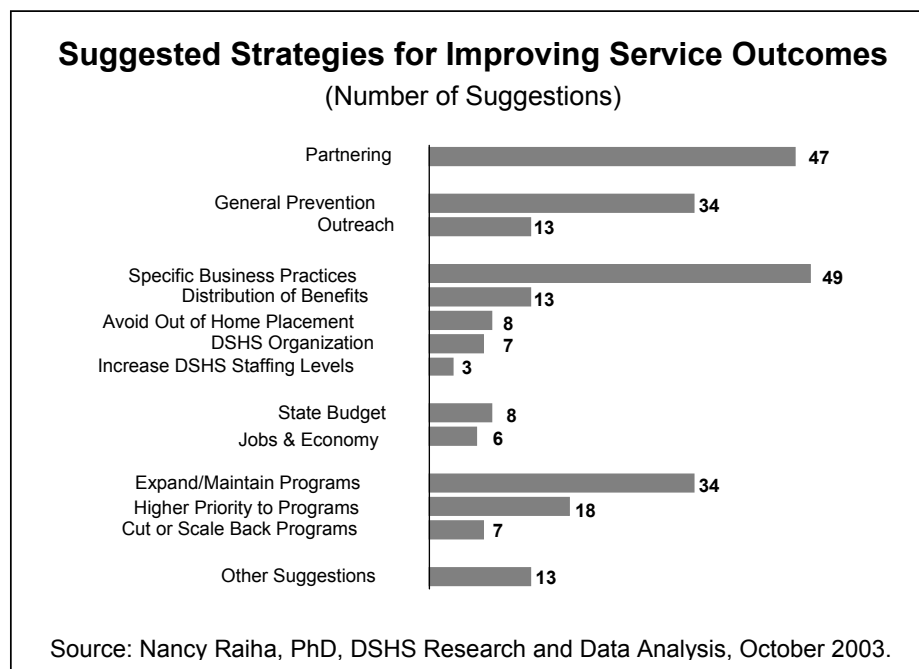
STAKEHOLDER INPUT

Community partnerships and collaborations are important to DSHS's success in serving our customers. Implementing policy directions and spending reductions requires changes in the way we do business and the level of services we provide. Therefore, it's important for DSHS to discuss our direction, options and challenges with our partners because the direction we take will impact the lives of a lot of people.

In July and August 2003, DSHS Secretary Braddock held four public meetings to listen to community partners' input regarding DSHS' priorities and future challenges. As part of the DSHS strategic planning effort, Secretary Braddock also invited our partners and stakeholders to participate in a stakeholder survey.

The respondents' suggestions were thoughtful, diverse, detailed, and creative. Many of the suggestions concerned partnering, prevention and specific DSHS business practices. Below are highlights of what we learned from this study.

- **The main categories of the survey respondents:** Health or human services providers, interested citizens, and advocates for clients
- **The most frequently mentioned priorities:** Services for children, health care and dental services, and services for persons with disabilities including developmental disabilities
- **The most suggested strategies for improving service outcomes:** Improving business practices, partnering with community and other organizations, making prevention efforts, and expanding or maintaining programs



All respondents' comments were distributed to the DSHS Management Team and were taken into consideration during this strategic planning period. Each DSHS program also initiated activities to solicit input from its respective stakeholders and partners during its strategic planning process.

FUTURE CHALLENGES AND OPPORTUNITIES

Financial Austerity

The severity of the state's economic situation threatens the viability of social service programs that help many needy families, children and vulnerable adults. In the long term, the state budget will be hard-pressed to finance the anticipated growth in demand for Medicaid long-term care and supportive services.

Pending policy and finance reform at the federal level, the State of Washington faces the challenge of balancing options, quality and value within severe budget constraints. The preferred approach will be to tighten eligibility standards in order to protect the fundamental integrity of the service delivery system.

This is a dilemma that DSHS and its many partners struggle with everyday. It is critical that DSHS demonstrates the value of the human services system to policy makers and our citizens. DSHS needs to collaborate with our stakeholders and partners to develop comprehensive, long-term solutions.

Liability versus Shared Responsibility

In recent years, DSHS and its partners have faced lawsuits regarding the state's perceived responsibility to ensure individual safety. Lawsuits challenge activities in our licensure programs, case management functions, and complaint investigation programs.

Washington is one of only six states in the country with no immunity for public agencies in the conduct of their duties. This exposes the state and its taxpayers to potentially large financial damages for the wrongful acts of third parties.

One of the challenges that DSHS will face in years to come will be to make clear that our programs are intended to support individual choice but can never guarantee that the choices individuals make will never lead them to harm. DSHS will need to focus energies on educating individuals, families, and communities on their shared responsibilities in monitoring care and avoiding potential negative outcomes.

Child Welfare System Reform

The federal Child and Family Services Review (CFSR) offers an important opportunity to evaluate Washington State's child welfare practice and outcomes. The results of the review are useful in focusing efforts on the areas most important to achieving better outcomes for children and families.

The strengths of Washington's child welfare system, which were identified in the review, provide the foundation upon which DSHS is developing an improved system to serve children and families. Many of the areas identified for improvement can be addressed through reprioritizing existing resources.

However, new resources may be required to solve larger issues such as the accessibility and availability of mental health services, increasing court capacity and representation to help achieve more timely permanence for children. To improve Washington's Child Welfare System, DSHS will be implementing a comprehensive reform agenda over the next two to six years.

Washington Medicaid Integration

Secretary Braddock has charged the Assistant Secretaries of Aging & Disability Services (ADSA), Medical Assistance (MAA) and Health & Rehabilitative Services (HRSA) to collaborate on a major strategic initiative to coordinate health and long-term care services for high-risk Medicaid clients jointly served by their administrations.

The goal is to prevent or delay the progression of chronic illness and disability and to achieve significant savings in the fast-growing Medicaid budget.

MAA, ADSA and HRSA together account for 78% of the DSHS budget. The aged, blind and disabled population is only 21% of the MAA caseload, but accounts for 40% of the MAA budget. This same population accounts for two-thirds of the entire Medicaid budget and four-fifths of the prescription drug component. Many of these clients receive services from two or more DSHS programs.

Snohomish County was identified as the location for a major demonstration project coordinating health and long-term care services. The project will involve community partners and thousands of Medicaid clients. Initial services will include drug and alcohol abuse treatment, medical services, and mental health care.

The assessment of the success of this demonstration project will determine strategies for implementing additional similar projects in other parts of the state.

